

January 5, 2004

Ms. Mary Cottrell, Secretary
Dept. Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: DTE 03-58

Dear Secretary Cottrell,

We are writing this letter to object to Cambridge Electric's Compliance Filing dated December 29, 2003, which we reviewed this morning.

We note the following issues regarding that compliance filing.

First, the company is referring to a revenue requirement of \$1,449,294, which the Company references as DTE 97-111 Exh. I.D (2) p 2-3. When we were unsuccessful in obtaining a copy of the Cost of Service Study referenced in the November 28, 2003 order, directly from the Company, we requested and obtained the Cost of Service Study referenced in the order, directly from the department staff. The Cost of Service Study provided by the department staff is referred to as Exhibit I.D (1) p 2-3, not Exhibit I.D (2) p 2-3, and includes a total Revenue Requirement of \$1,113,161, not \$1,449,294.

Second, the Company has allocated \$749,919 or more than 50% of that higher revenue requirement to distribution costs, and less than 50% to avoided streetlight costs. This is grossly out of line with (approximately five times the allocation in) the precedent established in DTE 98-69, in which MECO allocated only 10.66% of the total streetlight revenue requirement to distribution costs.

We request that the Company provide us with a copy of the Cost of Service Study they have used as the basis of this compliance filing, as well as answers to the following questions:

- 1) Please explain the difference between the \$1,449,294 total streetlight revenue requirement in Exh. I.D (2) and the \$1,113,161 total streetlight revenue requirement in Exh. I.D (1).
- 2) Please provide the breakdown of the total streetlight revenue requirement into the following categories, and provide the page reference in the Cost of Service Study:
 - A) Return
 - B) Income Taxes
 - C) Taxes Other than Income
 - D) Total Operating Expenses before Tax
 - E) Other
- 3) Please provide the breakdown of the Total Operating Expenses before Tax into the following categories, and the page reference in the Cost of Service Study:
 - D.1) Depreciation
 - D.2) Amortization
 - D.3) Taxes other than Income
 - D.4) Amortization of ITC
 - D.5) Deferred Tax Flow Back
 - D.6) Total Distribution Expenses
 - D.7) Total A&G Expenses
 - D.8) Total Pro Forma Expenses
 - D.9) Other
- 4) Please provide the percentage of each of the above expenses (itemized in 2A thru 2E and D1 thru D9 above) allocated to distribution costs, as opposed to costs associated with account 373, in the Company's December 29, 2003 Compliance Filing.
- 5) In Ex TMB 2 in the controlling case, DTE 98-69, Mass Electric allocated the total streetlight revenue requirement between "lamp service" costs and distribution cost. How is the proposed allocation in the compliance filing in this case between "costs associated with account 373" and distribution costs, different from the allocation used by Mass Electric in the controlling case between "lamp service costs" and distribution costs?
- 6) Does the company interpret the November 28, 2003 order in this proceeding as establishing a new procedure for unbundling distribution costs from avoided

streetlight costs that is different from the procedure used for unbundling distribution costs from streetlight costs established in DTE 98-69?

- 7) Please explain why the percentages allocated to distribution costs are approximately five times the percentages allocated to distribution cost by Mass Electric in DTE 98-69.
- 8) Please explain why the 5.49 cents per kwh in your proposed compliance filing is more than twice the 2.69 cents per kwh referenced in the Company's Exhibit CAM-CITY-1-2.
- 9) Does the Company interpret the order in this case as establishing a new allocation procedure that results in a distribution rate that is more than twice the distribution rate requested by the Company in its initial filing?

Sincerely,

John Shortsleeve
Attorney for the City of Cambridge

Cc: Michael Killion, Mark Barrett, David Rozenzweig, Jack Habib, George Fernandes